



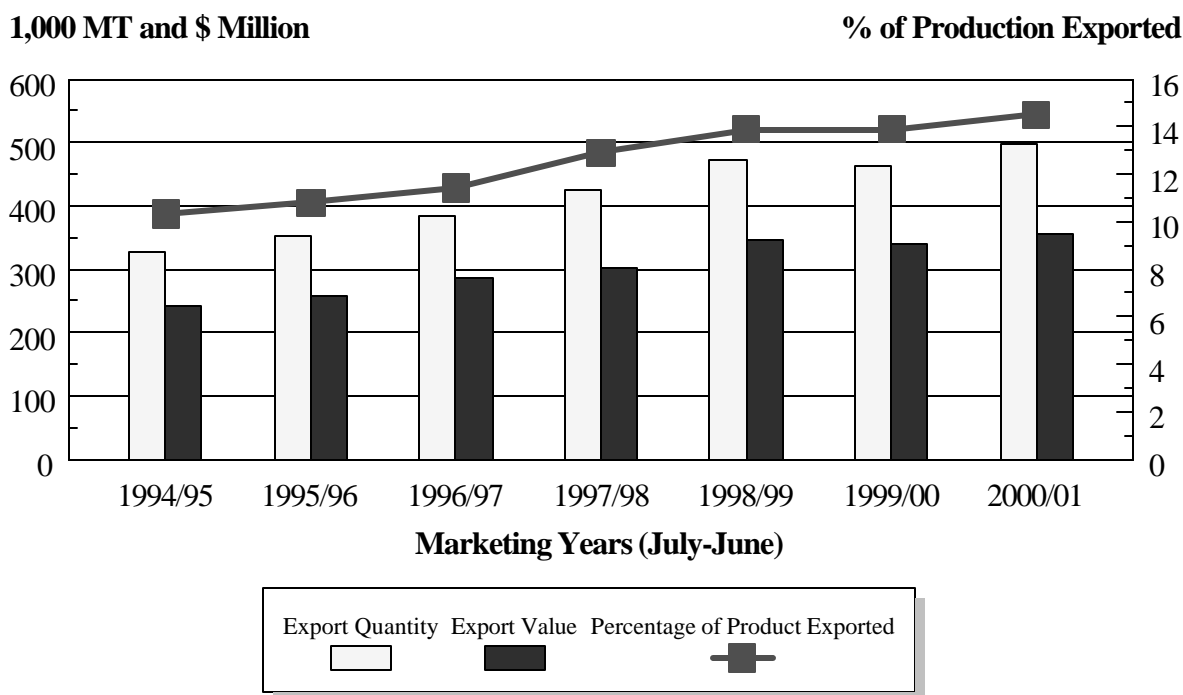
United States
Department of
Agriculture

Foreign
Agricultural
Service

Circular Series
FHORT 01-02
January 2002

World Horticultural Trade and U.S. Export Opportunities

U.S. Exports of Frozen Potato Fries Continue To Rise



Source: U.S. Census Bureau, USDA/NASS, and American Frozen Food Institute

The outlook for U.S. frozen potato fry exports is positive as foreign demand continues to expand. Both quantity and value of U.S. frozen potato fry exports attained records of almost 499,000 metric tons and \$356 million in marketing year 2000/01. During the past 10 years, the quantity and value of U.S. frozen fry exports have consistently increased, particularly to some East Asian countries, where the number of quick service restaurants has expanded significantly. In 2000/01, East Asian countries accounted for over 80 percent of U.S. fry exports. Japan alone accounted for about 44 percent of U.S. fry shipments followed, by China/Hong Kong, Republic of Korea, Mexico, and Taiwan. The top five export markets for frozen potato fries ten years ago were Japan, the European Union, Republic of Korea, China/Hong Kong, and Taiwan. Expansion of the international fast food industry, product quality, rising incomes, tariff reductions, and ongoing Market Access Program activities should continue to propel demand for U.S. potato fries.

**[Check Out the New U.S. Trade Internet System Website. Go to
<http://www.fas.usda.gov/ustrade>]**

For further information, contact:
U.S. Department of Agriculture - Foreign Agricultural Service
Horticultural and Tropical Products Division
1400 Independence Ave., S.W. Stop 1049
Washington, DC 20250-1049
Telephone: 202-720-6590
Fax: 202-720-3799
<http://www.fas.usda.gov/htp>

Frank Tarrant, Director
Scott Bleggi, Deputy Director for Marketing
Brian Grunenfelder, Deputy Director for Analysis

<u>ANALYSIS</u>		
Nancy Hirschhorn	202-720-2974	Situation & outlook supervisor, publication editor, export forecast coordinator, briefing paper coordinator, key development coordinator
Erik Hansen	202-720-0875	Tree nuts, processed vegetables (excl. potatoes), EU trade policy, circular team & homepage coordinator
Bob Knapp	202-720-4620	Canned deciduous fruit, sugar
Edwin Lewis	202-720-5028	Kiwifruit, stone fruit, nursery products, avocados, NAFTA quarterly report, circular web team
Emanuel McNeil	202-720-2083	Fresh vegetables (excl. potatoes), cut flowers
Heather Page	202-720-9792	Wine, brandy, table grapes, grape juice
Debra A. Pumphrey	202-720-8899	Fresh and processed citrus, coffee, trade questions on tea, cocoa, essential oils & spices, & information technology coordinator
Rey Santella	202-720-0897	Dried fruit, berries, beer/hops, melons, circular web team
Sam Rosa	202-720-6086	Fresh deciduous fruit, trade issues database coordinator, apple juice, olives, mushrooms
Ryan Scott	202-720-6877	Special projects, circular web team, tropical fruit
Christine Sloop	202-690-2702	SPS/food safety/quality issues coordinator, bilateral technical & policy issues
Martin Patterson	202-720-7304	Policy issues coordinator for subsidies & tariff issues, tariff rate quotas & licensing, trade agreements, multilateral policy issues, biotechnology issues
<u>MARKETING</u>		
Steve Shnitzler	202-720-8495	Apricots, avocados, ginseng, pomegranates, Bartlett pears, kiwi*
Ted Goldammer	202-720-8498	Potatoes (marketing & analysis), apples, hops, sweet cherries, QSP, EMO programs*
Sonia Jimenez	202-720-0898	Citrus, winter pears, tree fruit, Section 108 Funds
Kristin Kezar	202-690-0556	Tart cherries, canned fruit, papaya, melons, raisins, organics*
Elizabeth Mello	202-720-9903	Vegetables, berries, Cochran Coordinator, Produce Marketing Association (PMA)
Ingrid Mohn	202-720-5330	Tree nuts, prunes (dried plums)*
Elias Orozco	202-720-6791	Honey (analysis & marketing)
Yvette Wedderburn Bomersheim	202-720-0911	Wine, brandy, grape juice, table grapes, Export credit programs

Table of Contents

	PAGE
FEATURE ARTICLES:	
Situation and Outlook for Frozen Potato Fries	6
WORLD TRADE SITUATION AND POLICY UPDATES:	
USDA/APHIS Bans Imports of Spanish Clementines	11
Spanish Citrus Producers Likely to Seek Legal Action	11
Colombia Grants Import Approval to Apples from Michigan	11
Mexico Reauthorizes Ports of Entry for U.S. Apples	11
New Wine Agreement Reached Between United States and other “New World” Producers	12
ORGANIC UPDATES:	
U.S./Japan Organic Equivalency Talks Begin	13
France: A Competitor and Market for U.S. Suppliers	13
Danish Organic Feed Found to Contain GMOs	13
German Organic Markets Boom as a Result of BSE Crisis	14
Bearing the Fruit: FAO Study Urges Countries to Develop Organic Market—With Caution	14
EXPORT NEWS AND OPPORTUNITIES:	
GSM-102	15
Supplier Credit Guarantee Program	16
GSM-102 and SCGP	16
STATISTICS:	
Frozen Potato Fries: Production, Supply and Distribution in Selected Countries	17
FY 2002 GSM-102 Coverage	18
FY 2002 Supplier Credit Guarantee Coverage	19
Top United States Horticultural Product Exports By Value	20
Top United States Horticultural Product Exports By Volume	20
Top United States Horticultural Product Imports By Value	21
Top United States Horticultural Product Imports By Volume	21
Selected Horticultural Crop Prices Received by U.S. Growers	22

Export Summary

October 2001

U.S. exports of horticultural products to all countries in October 2001 totaled \$1.06 billion, down 2 percent from October 2000. The only categories with increases in October were processed vegetables (up 9.7 percent to \$160 million), fresh fruit (up 3.9 percent to \$179 million), and essential oils (up 7.1 percent to \$52 million). All other categories declined, with double-digit declines in wine and beer (down 23 percent to \$60 million) and fruit and vegetable juices (down 15.8 percent from October 2000 to \$52 million).

October exports to Canada, the largest market, were down less than 1 percent from October 2000 to \$263 million. Exports to the European Union (EU) were down 9 percent to \$253 million, while shipments to Japan were down 6 percent to \$136 million. Exports to Mexico rose 17 percent from October 2000 to \$98 million. Exports to Malaysia showed the most dramatic jump for October 2001, up 50 percent from October 2000, to \$12 million. Exports in October 2001 to Korea rose 18 percent to \$22 million, while exports to Singapore rose 16 percent to \$12 million, and exports to Venezuela rose 48 percent to \$11 million. October 2001 exports to Taiwan and China dropped to \$33 million and 13 million, down 12 percent and 2 percent, respectively, from October 2000.

New U.S. Trade Internet System Facilitates Public Access to Trade Data

The public now has unlimited access to the most up-to-date data on U.S. exports and imports of agricultural, fishery, and forestry products, to the 10-digit Harmonized System (HS) classification code level. The U.S. Trade Internet System allows users the flexibility to customize their data searches and save their criteria for repeated use. Users can obtain value or volume data for selected HS codes or commodity groupings to track trends going back to 1989.

To view the site go to <http://www.fas.usda.gov/ustrade/>

For more information on the U.S. Trade Internet System, e-mail usthelp@fas.usda.gov

To access **FAS Attache Reports** on line, please go to the following Internet address:

[Http:// www.fas.usda.gov/scripts/attachrep/default.asp](http://www.fas.usda.gov/scripts/attachrep/default.asp)

Search through the country and market reports prepared by FAS attaches covering over 20 horticultural and tropical product commodities and nearly 130 countries.

What's New on the Homepage?

The Horticultural and Tropical Products Division now updates its homepage weekly to bring the latest information to the public as efficiently as possible. The site contains information on policy and technical developments affecting trade in horticultural commodities, selected reports submitted by FAS overseas offices, and special reports. For further information, please contact Nancy Hirschhorn (202)720-2974. Go to <http://www.fas.usda.gov/http/>.

Situation and Outlook for Frozen Potato Fries

In 2001/02, frozen potato fry exports from the 3 major exporting countries, the United States, the Netherlands, and Canada, are forecast at a record 2.4 million tons, 8 percent above the previous year's shipments. The United States and Canada are expected to register small export gains in 2001/2002 while exports from the Netherlands are anticipated to decline. After a decade of record export gains, U.S. frozen potato fry exports continue to grow but at a slower pace, registering \$356 million and 499,003 tons in 2000/2001. U.S. fry exports are forecast to increase 5 percent in 2001/2002. Rising percapita incomes in many countries, expansion by multinational fast food companies, and Market Access Program activities, are expected to continue to spur demand for frozen potato fries. Canadian exports in 2000/01 increased less than 3 percent to 634,297 tons compared to the 20 percent increase a year earlier. The change reflects, in part, slower growth in overall frozen potato fry production in Canada. Canadian potato fry exports are forecast to increase to 670,000 tons for 2001/2002. The Netherlands' exports of frozen potato fries increased by 10 percent in 2000/2001 to 1.3 million tons. The increase in export volume was partly achieved by clearing stocks. For 2001/2002, Dutch exports are forecast to decline to 1.25 million tons as a result of the poor weather and reduced acreage.

United States

The U.S. potato crop is estimated at 23.3 million tons for 2000/01, up 7 percent from last year's crop of 21.6 million tons. Harvested area, at 1.35 million acres, gained 1 percent from the previous year. Idaho, Washington, Colorado, Oregon, and California had increases in production while Wisconsin experienced a decline in production. The Western states account for about 67 percent of total U.S. potato production, with Idaho and Washington being the two largest producers.

About 56 percent of U.S. potato production was diverted for processing, of which 29 percent was utilized to produce frozen potato fries. Today, Russet Burbank is the main variety grown for the production of frozen potato fries. The food service sector accounts for 90 percent of U.S. frozen potato fry consumption while retail accounts for the remaining 10 percent. With a relatively large U.S. potato crop and a steady domestic demand for fries, U.S. frozen potato fry production in 2000/2001 was 3.7 million tons, up from last year's level of 3.5 million tons. U.S. frozen potato fry production is forecast at 3.55 million tons for 2001/2002, given the expected decline in acreage.

After a decade of record export gains, exports in 2000/01 were 499,003 tons, up from the previous year's level of 463,890 tons. In 2001/02, U.S. exports of frozen fries are projected to increase to 525,000 tons (or 14 percent of domestic fry production), up slightly from the previous year of 499,003 metric tons.

The top 5 U.S. french fry markets accounted for nearly 76 percent of 2000/2001 shipments. These markets were: Japan, with 45 percent of total exports; China/Hong Kong at 12 percent; South Korea and Mexico at 7 percent; and Taiwan at 5 percent. The top five export markets for frozen potato fries ten years ago were Japan, the European Union, South Korea, China/Hong Kong, and Taiwan.

While Japan continues to be the largest market for U.S. frozen potato fries, exports in recent years have leveled-off. The United States is well positioned with a market share of 89 percent. This is largely due to the aging population, slowdown in the expansion in the fast food industry, and Japan's long recession. China is an emerging market with enormous potential. The combination of a booming economy and market reforms is generating a strong demand for variety and convenience in food products. The fast food segment continues to develop rapidly with an estimated annual growth at 20 percent. The U.S. has a market share of 97 percent in China. Opportunities for export expansion of frozen potato fries are strong in South Korea, as hotel, restaurant and institutional sales continue to grow. U.S. exports have benefitted from this growth, which averaged 10 percent annually throughout the 1990's. Over the next decade, restaurant growth will level off, to approximately 2 to 4 percent annually. The strength of Mexico's economy continues to stimulate growth in the food service sector and demand for U.S. frozen potato fries. As elsewhere, U.S. exports of frozen potato fries to Mexico owe the growth to the expansion of fast food outlets. The fast food sector is stagnant due to the downturn in the economy and the earthquake in 1999.

The United States also exports to Europe, particularly to the United Kingdom, but exports have always been erratic and relatively small in comparison to other key markets. U.S. exports generally occur when potatoes are in short supply in Europe, such as in 1998/99, when U.S. fry exports to the European Union were 16,010 tons. In general, transportation costs for frozen potato fries from the U.S. Pacific Northwest are far too high to be economically feasible.

Expansion of the international fast food industry, product quality, rising incomes in many countries, and ongoing Market Access Program activities have all played a role in stimulating demand for U.S. frozen potato fries. Export prospects for the next decade are very promising given the sustained expansion of the international fast food industry.

Netherlands

The Netherlands potato crop was 7.8 million tons for 2000/01, a slight decrease from last year's crop. The harvest expectations for the Netherlands 2001 potato crop are lower than the 2000 crop given the poor weather, continued problems with bacterial wet rots, and reduced acreage. The acreage for the

“bintje” variety, the potato used by the Netherlands potato fry producers, is expected to decline in the near future. The “bintje” variety has always been preferred by processors because it is relatively simple to cultivate and can be used for multiple purposes. However, the Netherlands Dutch processors are increasing relying on other varieties rather than the “bintje” variety due to its quality and crop uncertainty, insufficient length, and increasing consumer concerns about reliance on pesticides.

The Netherlands has the largest industrial frozen potato fry production in Europe with frozen fry production for 2000/01 at 1.4 million tons, an 11-percent increase from the previous year. The production of frozen potato fries for 2001/02 is forecast at 1.35 million tons. Frozen potato fry production accounts for 80 percent of total processing, while dried products, snack and various other products make up the remaining 20 percent.

The Netherlands is by far the largest exporter of frozen potato fries. In 2000/01, the Netherlands exports totaled 1.3 million tons and for 2001/02, exports are forecast at 1.25 million tons. The increase in export volume was partly achieved by clearing stocks. The industry depends largely on export demand, as almost 97 percent of production is sold in foreign markets -- mostly in the European Union (EU). The United Kingdom, Germany, France, and Italy account for 75 percent of the Netherlands exports. The strong growth of American fast food chains in Europe continues to help drive exports of the Netherlands frozen potato fries. Albeit shipments to non-EU countries are very small, exports to these countries continue to grow. Russia, Brazil, and the Middle East are the largest export markets outside the European Union.

Imports of frozen potato fries into the Netherlands have remained small, accounting for less than 5 percent of total Dutch supply.

Canada

Canadian potato farmers continue to expand planted area but at a slower pace than previous years, up less than 1 percent from the planted area a year earlier. Although the official production estimates have not been released for the 2001 crop, early indications are that potato production may not reach last year's level of 4.6 million tons. Some major potato regions of Canada experienced prolonged periods of dry weather during the 2001 growing season. Preliminary estimates from Prince Edward Island, Canada's leading potato producing province, indicated that production during 2001 would be 20 to 50 percent lower than the 2000 crop.

Canadian production of frozen potato fries continued to expand during 2000/01, but at a reduced pace from the double digit growth during the 1990s. Canada's fry production rose approximately 2 percent in 2000/01 to 1,070,000 tons and is forecast to increase by approximately 2 percent to 1.1 million tons for 2001/02. The slowdown can be attributed to a slowdown in plant construction, but further expansion is anticipated as processors plan to invest heavily in new potato processing plants in the western provinces.

Canadian frozen potato fry producers increasingly depend on exports for additional sales. Exports in 2000/01 increased less than 3 percent to 634,297 tons compared to the 20-percent increase a year earlier. The change reflects, in part, slower growth in overall frozen potato fry production in Canada, as the investment in new processing plants slowed. Canadian exports to the United States accounted for more than 87 percent of total frozen potato fry exports in marketing year 2000/01. During this period, exports of fries to the United States grew less than 5 percent to 551,455 tons, valued at U.S. \$369.6 million. Canadian fry exports are forecast at 670,000 tons for 2001/02. Construction of new processing facilities, contracts to supply major U.S. fast food companies, and a lower-valued Canadian dollar continue to fuel the growth in export demand. Other Canadian export markets include Japan, Venezuela, the Philippines, and Taiwan. An increase in exports to Japan is expected, given Canada's competitive prices.

Canadian imports of U.S. frozen potato fries increased 2000/01. However, given Canada's modern and expanding frozen potato fry industry, which is a "producer-for-export" oriented industry, the demand for imported fries is relatively weak. In addition, continued weakness in the Canadian dollar, which has fallen more than 13 percent against the U.S. dollar over the past four years, is a disincentive to importers.

Australia and New Zealand

Although newcomers to the world potato fry trade, Australia and New Zealand exports of frozen potato fries have gained momentum. In 2000/01 the two countries exported approximately 45,000 tons, up from the previous year's level of 25,000 tons, and nearly four times their level just three years prior. They export primarily to the Southeast Asian region.

The FAS Attache Report search engine contains reports on the Frozen Potato Fry industries for 2 countries, including, Canada and the Netherlands. For further information on supply, distribution, trade, and U.S. marketing opportunities, contact Ted Goldammer at 202-720-8498.)

FROZEN POTATO FRIES: PRODUCTION, SUPPLY, AND DISTRIBUTION IN SELECTED COUNTRIES
(Metric Tons)

Country/ Marketing Year 1/	Beginning Stocks	Production	Imports	Total Supply and Distribution	Exports	Domestic Consumption	Ending Stocks
Canada							
1997/98	45,000	860,000	27,733	932,733	447,677	435,056	50,000
1998/99	50,000	910,000	23,984	983,984	516,240	427,744	40,000
1999/00	40,000	1,020,000	13,673	1,073,673	618,978	429,695	25,000
2000/01	25,000	1,050,000	17,120	1,092,120	634,297	432,823	25,000
2001/02 F	25,000	1,090,000	15,000	1,130,000	670,000	435,000	25,000
Netherlands 2/ 3/							
1997/98	0	1,267,000	46,000	1,313,000	1,149,000	165,000	0
1998/99	0	1,253,000	56,000	1,309,000	1,161,000	147,000	0
1999/00	0	1,274,500	102,000	1,376,500	1,179,000	198,000	0
2000/01	0	1,419,500	158,000	1,577,500	1,306,000	272,000	0
2001/02 F	0	1,350,000	125,000	1,475,000	1,250,000	225,000	0
United States 4/ 5/ 6/							
1997/98	463,662	3,283,804	338,758	4,086,224	424,570	3,191,646	470,008
1998/99	473,542	3,565,812	367,502	4,406,856	473,238	3,495,465	438,153
1999/00	444,028	3,497,555	464,966	4,406,549	463,890	3,520,899	421,760
2000/01	421,760	3,664,031	495,059	4,580,850	499,003	3,590,386	491,461
2001/02 F	491,461	3,550,000	520,000	4,561,461	525,000	3,561,461	475,000
TOTAL							
1997/98	508,662	5,410,804	412,491	6,331,957	2,021,247	3,791,702	520,008
1998/99	523,542	5,728,812	447,486	6,699,840	2,150,478	4,070,209	478,153
1999/00	484,028	5,792,055	580,639	6,856,722	2,261,868	4,148,594	446,760
2000/01	446,760	6,133,531	670,179	7,250,470	2,439,300	4,295,209	516,461
2001/02 F	516,461	5,990,000	660,000	7,166,461	2,445,000	4,221,461	500,000

1/ July-June Marketing Year

2/ No published stocks data.

3/ PS&D figures are arithmetically derived.

4/ Stocks data from the USDA/National Agricultural Statistics Service Cold Storage Report.

5/ Export and import data from U.S. Bureau of Census with 2001/02 forecasts from industry sources.

6/ Production figures are derived from USDA/National Agricultural Stat. Service Potatoes 2000 Summary Report.

A conversion factor of 0.55 is used to estimate frozen potato fry production based on the potatoes utilized for processing.

F = forecast

World Trade Situation and Policy Updates

USDA/APHIS Bans Imports of Spanish Clementines

Effective immediately, APHIS has banned imports of clementines from Spain due to live detections of Mediterranean fruit fly larvae. Live detections were found and confirmed in food stores in three U.S. states (NC, MD, LA). An unconfirmed detection was allegedly reported in Iowa, as well. This ban applies to all shipments that have not left the port and shipments that are in transit from Spain. The increased presence of Mediterranean fruit fly is being attributed to warm weather during the growing season. The APHIS ban comes at the height of the Spanish clementine shipping season. During October-December 2000/01, U.S. imports of clementines/mandarins totaled 64,389 tons, representing 82 percent of the total for whole year. December alone accounted for 41 percent of the total. The total for 2000/01 was 78,502 tons, valued at \$100.2 million.

Spanish Citrus Producers Likely to Seek Legal Action

In response to the USDA decision to halt imports of clementines from Spain, the Spanish producers' association "Intercitrus" has stated it plans to seek legal action. The United States halted imports from Spain when live Mediterranean fruit fly larvae were detected in the imported clementines in several U.S. states. Intercitrus issued a statement noting that "Spanish exporters are complying with all aspects of the clementine export protocol to the United States, which includes quarantines to eliminate live Mediterranean fruit flies." Industry officials estimate that Spanish farmers and exporters could lose as much as US\$54 million as a result of the ban. The United States exported \$591 million of agricultural products to Spain in fiscal year 2001.

Colombia Grants Import Approval to Apples from Michigan

The Colombian Plant Health Office (ICA) has approved imports of apples originating from the state of Michigan. For this season only, ICA has waived the mandatory site visit, which is required under the terms of the U.S./Colombia work plan for exporting apples. Instead, ICA decided to apply the surveillance and control programs that are in place in other U.S. approved states for one year in Michigan, with a site visits to follow before the next export season, if Michigan's apple shipments to Colombia are to continue. The approval of shipments from Michigan will likely expand overall U.S. apple sales to the Colombian market. In marketing year 2000/01 (July-June) total U.S. apple exports to Colombia totaled 4,420 tons, valued at nearly \$2 million.

Mexico Reauthorizes Ports of Entry for U.S. Apples

On December 14, 2001, Mexico's Secretariat of Treasury announced the reestablishment of the ports of Mexicali, Nuevo Laredo, and Veracruz as official ports of entry for apples from the United States. Mexico

also added the port of Tuxpan as an official border crossing. This action increases the total number of ports authorized to import U.S. apples from five to nine, including Ciudad Juarez, Nogales, Ciudad Reynosa, Manzanillo, and Tijuana, which were authorized in June 2001. On June 29, 2001, Mexico eliminated access for U.S. apples through the ports of Mexicali, Nuevo Laredo, and Veracruz. The announcement was part of Mexico's efforts to control alleged unfair practices involving apples coming from the United States. Mexico is the top destination for U.S. apples, with sales in marketing year 2000/2001 (July-June) totaling nearly 225,000 tons, valued at \$125 million.

New Wine Agreement Reached Between United States and other “New World” Producers

A Mutual Acceptance Agreement (MAA) on Oenological Practices has been signed by the United States, Canada, Australia, Chile, and New Zealand. The MMA promotes greater international wine commerce and eases trade barriers for U.S. wine. Under the agreement, each country will permit the importation of wines from every other signatory country as long as these wines are made in accordance with the producing country's domestic laws, regulations and requirements on oenological (winemaking) practices. The United States already allows wine imports if they meet another country's standards, but this agreement ensures that participating trade partners give U.S. wines the same conditions. The agreement will also establish transparency requirements and consultation and dispute-resolution mechanisms. The agreement does not limit signatories' rights or obligations under the World Trade Organization Agreements. Future work includes negotiation of a wine labeling agreement. Argentina and South Africa participated in the negotiation of the agreement and have the option to sign it prior to March 31, 2002. U.S. wine exports equaled \$523 million in 2000. Of this total, shipments to Canada were \$93 million; Australia, \$343,000; New Zealand, \$172,000; and Chile, \$100,000.

Organic Updates

U.S./Japan Organic Equivalency Talks Begin

Discussions between USDA and Japan's Ministry of Agriculture, Forestry and Fisheries (MAFF) began November 5-9, 2001, in Tokyo. Three topics were addressed during the meetings: approaches to exporting organic products to Japan, the U.S. enforcement program for organic products, and the U.S. permitted materials program. The two parties agreed to continue discussions, in Tokyo, from December 5-7, 2001.

France: A Competitor and Market for U.S. Suppliers

In 2000, organic food sales in France were estimated at \$1 billion and are expected to reach \$2.4 billion by the year 2003. In 1999, the French Ministry of Agriculture budgeted \$16 million to convert farmland to organic production. This program, financed 50/50 by the EU and the French Government, was instituted to stimulate organic agricultural production with the goal of making France the leading European supplier of organic food and products by the year 2010.

The French organic livestock and poultry sectors are at record level production. Other domestic organic products enjoying strong demand are grains, oilseeds and organic proteins, cereals, dairy products, fresh and processed fruits and vegetables, baby foods, and, to a lesser extent, wine. French supermarket chains account for almost half of organic food sales. The remaining half is split among health food stores, direct sales, and open air organic food markets.

French concerns about health and food safety issues are driving demand for organic food products. Current French production cannot meet the demand, especially for vegetables and milk. As a result, French imports of organic food products have risen steadily. French processors are in need of organic ingredients such as exotic fruits, nuts, honey, milk, and grains for animal feed.

Danish Organic Feed Found to Contain Genetically Modified Organisms (GMOs)

Since January 1, 2001, the Danish Plant Directorate under the Ministry of Food, Agriculture and Fisheries has been quietly testing organic feed for GMOs. The Danish authorities interpret the EU organic feed regulations as not allowing GMOs. Therefore, Danish organic feed is required to be entirely organic. However, the results of the most recent test, published August 1, 2001, found organic feed sampled from eight Danish feed companies revealed traces of GMOs.

To emphasize the seriousness of this offense, the Danish Minister of Food, Agriculture and Fisheries fined two firms. The Minister, Ritt Bjerregaard, has written to her European colleagues to encourage

them to intensify their controls. The Netherlands allows up to one percent of GMOs in their organic feed and although Sweden has a zero tolerance level, they do not randomly test organic feeds for GMOs. The Minister wants to change legislation in order to be able to publish the names of the companies, thus forcing them to be more cautious and eager to secure GMO free organic feed. The feed producers, on the other hand, have stopped selling organic feed at fixed prices until a threshold is accepted. The Ministry is now planning another series of random samples for food containing soybeans and corn products.

The representative for the Organic Service Center stated that GMOs are likely to be found in organic soybeans, since they are transported in the same ships that transport conventional beans.

German Organic Markets Boom as a Result of BSE Crisis

The European BSE crisis gave a big push to the demand for organic foods. The German public believes that organic products provide a generally higher level of food safety, is good for consumer health and good for the environment. The current German government supports a program to convert 20 percent of German production area to organic production, a challenging goal. For the consumer, a new national organic seal has recently been launched, which can be applied to both domestic and imported organic foods.

The size of the organic market is estimated at 1.8 billion in 2001, which is about 1.6 percent of the total food market. A longer term average annual increase of ten to fifteen percent is forecast. Growth will appear mainly in fresh products such as fruits and vegetables, dairy products and meats. Since the interest in organic products is growing, Europe-wide, demand for raw materials and processed goods outpace supplies. Traditional food retail chains are also investing in this market segment.

Bearing the Fruit: FAO Study Urges Countries to Develop Organic Market—With Caution

According to a new FAO report titled “World Markets for Organic Fruit and Vegetables,” the organic fruit and vegetable market offers significant potential for countries to increase their export earnings and diversity their agricultural base. “Strong and steady growth in the sales of organic foods have provided these products with a viable and value-added market niche,” said the 312-page report, jointly published by the FAO, the International Trade Centre, and the Technical Centre for Agricultural and Rural Cooperation. The report provides detailed information about the demand in the world’s largest organic markets, analyzes the prospects for further growth and lists contact information for organizations in the organic sector, references, and web pages.

Export News and Opportunities

Are you interested in exporting but hesitating because you are concerned about getting paid? If so, do not overlook the billions of dollars the U.S. Department of Agriculture (USDA) makes available to help facilitate sales to buyers in countries where credit is necessary to maintain or increase U.S. sales but where financing may not be available without credit guarantees. As of December 7, USDA has made available \$4.5 billion in credit guarantees to facilitate sales to selected developing countries, Western Europe, Japan, Hong Kong, and Taiwan. Invest the time to learn more about the Export Credit Guarantee Program (GSM-102) and Supplier Credit Guarantee Program (SCGP) to increase your sales and lower your risks. Use GSM and SCGP to avoid possible importer and foreign bank defaults on payments and ensure that American farm and food products continue to move to markets around the world. USDA does not provide financing, but it guarantees payments due to U.S. exporters in case the foreign banks or importers default. As of December 7, horticultural exporters have registered \$1.31 million in sales under SCGP. In FY 2002, the SCGP has helped to facilitate horticultural sales to the China/Hong Kong Region, Korea, Mexico, and the Southeast Asia Region. Sales have been registered under SCGP for wine, canned fruit, fruit juice concentrate, and fresh fruit.

You may learn more about GSM-102 and SCGP regulations, country specific press releases and program announcements, and a Monthly Summary of Export Credit Guarantee Program Activity on the Internet at:

<http://www.fas.usda.gov/export.html>

GSM-102

On November 14, 2001, USDA extended the GSM-102 Program to Jordan and Russia. USDA authorized \$40 million in credit guarantees for sales of U.S. agricultural commodities to Jordan under the GSM-102 program. Funds available for horticultural registrations is \$10 million. The FAS announcement pertinent to this allocation is PR-0398-01. USDA also authorized \$20 million in credit guarantees for sales of U.S. agricultural commodities to Russia. The FAS announcement pertinent to this allocation is PR-0394-01. Exporters may apply for credit guarantees on a first-come, first-served basis to cover sales of eligible commodities to the aforementioned markets.

The GSM-102 program makes available credit guarantees for sales of U.S. agricultural commodities overseas. USDA does not provide financing, but guarantees payments due from foreign banks. USDA typically guarantees 98 percent of the principal and a portion of the interest. The GSM-102 program covers credit terms from 90 days to 3 years.

Under the program, once a firm sale exists, the qualified U.S. exporter applies for a payment guarantee before the date of export. The U.S. exporter pays a fee calculated on the dollar amount guaranteed, based

on a schedule of rates applicable to different lengths of credit periods. The CCC-approved foreign bank issues a dollar-denominated, irrevocable letter of credit in favor of the U.S. exporter, ordinarily advised or confirmed by the financial institution in the United States agreeing to extend credit to the foreign bank. The U.S. exporter may negotiate an arrangement to be paid as exports occur by assigning the U.S. financial institution the right to proceeds that may become payable under the guarantee, and later presenting required documents to that financial institution. Such documents normally include a copy of the export report. If a foreign bank fails to make any payment as agreed, the exporter or the assignee may file a claim with USDA for the amount due and covered by the guarantee. USDA will pay the U.S. bank and will take on the responsibility of collecting the overdue amount from the foreign bank.

Supplier Credit Guarantee Program

On November 29, USDA for the first time has authorized \$50 million in supplier credit guarantees for sales in Western Europe Region. The Western Europe Region includes Austria, Belgium, Denmark, Finland, France, Germany, Greece, Iceland, Ireland, Italy, Luxembourg, Netherlands, Norway, Portugal, Spain, Sweden and the United Kingdom. The FAS announcement pertinent to this allocation is PR-0426-01.

On November 14, USDA has authorized \$20 million in supplier credit guarantees for sales of U.S. agricultural commodities to Russia. The FAS announcement pertinent to this allocation is PR-0395-01.

The SCGP is unique because it covers short-term financing extended directly by U.S. exporters to foreign buyers and requires that the importers sign a promissory note in case of default on the CCC-backed payment guarantee. The SCGP emphasizes high-value and value-added products, but may include commodities or products that also have been programmed under the GSM-102 program.

The SCGP encourages exports to buyers in countries where credit is necessary to maintain or increase U.S. sales but where financing may not be available without CCC guarantees. Under the SCGP, CCC guarantees a portion of payments due from importers under short-term financing (up to 180 days) that exporters have extended directly to the importers for the purchase of U.S. agricultural commodities and products. These direct credits must be secured by promissory notes signed by the importers. CCC does not provide financing but guarantees payment due from the importer.

GSM-102 and SCGP

The following tables present the FY 2001 GSM-102 and SCCP for which USDA has allocated credit guarantees for sales of U.S. horticultural products. The table also includes horticultural sales (exporter applications received) that have been registered under GSM-102 and SCGP. For most countries and regions, exporters may apply for credit guarantees on a first-come-first-served basis to cover sales of any of the eligible commodities published in FAS program announcement PR 0096-01, issued March 20, 2001 or as superseded. The following horticultural products are eligible under the export credit guarantee

programs: dried fruit; fresh fruit; frozen fruit; canned fruit; 100-percent fruit juices; fruit and vegetable concentrates, pastes, pulps and purees; honey; hops or hops extract; beer; tree nuts; fresh vegetables; canned vegetables; dried vegetables; wine; and brandy. The General Sales Manager will consider requests to establish an SCGP and/or GSM Program for a country or region or amend an authorized program to include horticultural commodities and products that are currently not eligible.

(For further information on the SCGP or GSM-102 Program for horticultural commodities, contact Yvette Wedderburn Bomersheim on 202-720-0911 or Rochelle Foster on 202-720-2936).

FY 2002 GSM-102 COVERAGE

Country	Announced Allocations --coverage in millions of dollars--
Algeria	50.00
Baltic Region	15.00
Caribbean Region	120.00
Central America Region	250.00
Central Europe Region	10.00
China/Hong Kong Region	300.00
Dominican Republic	25.00
East Africa	5.00
Egypt	100.00
India	25.00
Jordan	10.00
Kazakhstan	10.00
Korea	330.00
Malaysia	30.00
Mexico	500.00
Morocco	10.00
Philippines	100.00
Poland	25.00
Romania	25.00
Russia	20.00
South America Region	600.00
Southeast Asia Region	90.00
Southeast Europe Region	25.00
Southern Africa Region	50.00
Sri Lanka	35.00
Thailand	100.00
Tunisia	20.00
Turkey	345.00
West Africa Region	14.00

FY 2002 SUPPLIER CREDIT GUARANTEE COVERAGE

Country	Commodity	Announced Allocations	Exporter Applications Received	Balance
		--coverage in millions of dollars--		
Algeria		10.00	0.00	10.00
Baltic Region		20.00	0.00	20.00
Caribbean Region		10.00	0.75	9.25
Central America Region		50.00	11.03	38.97
Central Europe Region		20.00	0.00	20.00
China/Hong Kong Region		50.00	0.01	49.99
	Wine (180)		0.01	
Egypt		20.00	6.10	13.90
	Fruit, Fresh (180)		0.70	
India		25.00	0.00	25.00
Israel		20.00	0.00	20.00
Japan		50.00	0.00	50.00
Kazakhstan		15.00	1.42	13.58
Kenya		2.00	0.00	2.00
Korea		50.00	0.34	49.66
	Fruit, Canned (180)		0.07	
	Fruit, Fresh (180)		0.20	
	Wine (180)		0.07	
Mexico		0.00	37.44	(37.44)
	Fruit, Fresh (180)		0.03	
	Wine (180)		0.01	
Poland		10.00	0.00	10.00
Russia		20.00	0.90	19.10
South America Region		20.00	0.08	19.92
Southeast Asia Region		50.00	46.74	3.26
	Fruit, Fresh (180)		0.20	
	Fruit Juice Concentrate (180)		0.01	
	Wine (180)		0.01	
Southeast Balkans Region		75.00	0.30	74.70
Southeast Europe Region		20.00	0.00	20.00
Sri Lanka		10.00	0.00	10.00
Taiwan		50.00	0.00	50.00
Turkey		10.00	0.00	10.00
West Africa Region		35.00	0.90	34.10
Western Europe Region		50.00	0.00	50.00
Yemen		10.00	0.00	10.00

Top United States Horticultural Product Exports By Value
 Ranked In Terms of Highest Value (includes only products with specific commodity definitions)

Commodity	FY 1997	FY 1998	FY 1999	FY 2000	FY 2001	October FY 2001	October FY 2002
--- 1,000 Dollars ---							
Almonds	879,032	772,891	696,818	580,815	682,680	119,245	111,475
Essential Oils	622,219	532,623	507,651	591,583	674,715	48,998	52,476
Wine & Wine Prdts.	390,376	510,923	545,287	538,143	548,601	61,052	46,229
Fresh Apples	412,855	328,068	375,869	336,444	414,227	32,893	29,791
Fresh Grapes	313,836	274,953	283,865	332,162	390,322	67,216	73,585
Frz. Potato Fries	294,417	313,209	343,216	339,553	359,945	27,043	25,845
Oranges	308,055	339,114	159,585	268,808	304,406	6,096	5,106
Orange Juice All	305,172	295,564	307,165	290,395	251,043	22,179	14,837
Proc. Tomatoes	229,526	233,209	220,380	221,306	227,506	19,109	21,493
Nursery Products	185,316	220,055	229,737	216,722	215,261	20,078	15,009
Fresh Lettuce	146,640	173,746	157,262	180,099	201,531	16,433	16,081
Grapefruit	240,408	189,744	221,443	208,329	200,273	12,716	13,727
Beer	341,784	280,088	211,861	177,241	199,782	16,284	13,346
Potato Chips	145,468	226,987	257,355	243,824	182,895	18,582	18,126
Walnuts	195,209	153,863	154,449	149,315	175,541	58,448	59,674
Fresh Cherries	140,650	113,556	154,793	169,516	159,885	325	81
Prunes	138,398	133,732	133,885	131,697	151,664	14,283	15,119
Fresh Tomatoes	123,789	122,345	127,153	148,312	150,990	15,137	13,676
Raisins	204,388	199,733	198,817	145,861	150,869	19,244	18,213
Proc. Sweet Corn	167,490	139,068	148,050	146,591	120,893	12,216	12,563
Total Other	4,838,913	4,765,679	4,864,543	5,121,136	5,296,828	466,508	480,139
GRAND TOTAL	10,623,941	10,319,150	10,299,184	10,537,852	11,059,857	1,074,085	1,056,591

Top United States Horticultural Product Exports By Volume
 Ranked In Terms of Highest Value (includes only products with specific commodity definitions)

Commodity	FY 1997	FY 1998	FY 1999	FY 2000	FY 2001	October FY 2001	October FY 2002
Fresh Apples	690,595	539,685	664,969	571,860	742,377	56,979	49,776
Oranges	569,739	609,433	247,419	490,867	541,338	12,256	9,382
Frz. Potato Fries	396,738	438,425	468,826	469,287	505,641	38,134	36,993
Orange Juice All	565,332	553,175	554,951	550,888	464,112	37,200	27,024
Grapefruit	484,417	387,216	428,784	390,958	390,498	23,233	26,597
Fresh Onions	265,859	292,328	257,089	333,775	357,427	55,676	43,500
Fresh Lettuce	294,571	303,816	312,563	328,600	350,247	30,971	33,487
Wine & Wine Prdts.	208,786	266,294	274,696	281,475	311,924	34,462	26,655
Fresh Grapes	236,400	214,569	221,158	272,901	303,583	56,840	54,878
Beer	536,362	425,523	330,158	278,522	300,673	24,585	19,687
Proc. Tomatoes	293,112	300,327	264,369	277,277	297,129	25,503	27,219
Almonds	187,953	202,968	200,847	220,099	258,543	43,455	48,417
Fresh Melons	219,695	211,310	247,448	250,860	234,887	13,179	13,620
Fresh Tomatoes	153,657	133,687	148,271	181,892	173,470	15,175	17,256
Pears	126,603	156,807	145,816	162,629	158,199	19,879	23,131
Fresh Broccoli	130,999	126,791	154,514	182,848	157,465	9,998	11,940
Proc. Sweet Corn	203,613	171,294	186,153	187,818	150,891	15,682	13,351
Peaches	103,442	80,023	97,974	113,098	129,221	6,603	9,451
Lemons	120,330	113,392	113,931	106,249	110,507	7,599	8,034
Raisins	115,215	120,741	104,225	83,832	109,877	13,482	12,662

1/ Wine and beer is reported in 1,000 liters, orange juice in 1,000 single strength liters, and all other groups in 1,000 kilograms.
 Source: U.S. Department of Commerce, Bureau of the Census.

Top United States Horticultural Product Imports By Value

Ranked In Terms of Highest Value (includes only products with specific commodity definitions)

Commodity 1/	FY 1997	FY 1998	FY 1999	FY 2000	FY 2001	October FY 2001	October FY 2002
--- 1,000 Dollars ---							
Beer	1,443,326	1,677,002	1,865,038	2,126,018	2,296,135	179,208	193,501
Wine & Wine Prdts.	1,629,254	1,829,709	2,150,057	2,271,185	2,283,829	247,528	275,158
Bananas & Plantns	1,194,458	1,188,442	1,180,227	1,098,409	1,125,986	97,751	95,434
Nursery Products	565,267	632,672	673,194	745,977	789,101	61,761	63,454
Fresh Tomatoes	611,612	735,180	713,121	608,428	755,045	45,339	38,727
Fresh Grapes	386,183	440,659	545,409	518,260	581,556	1,318	1,458
Cut Flowers	572,926	630,067	578,766	623,213	577,418	44,303	42,086
Fresh Peppers	251,908	343,606	324,880	451,848	507,988	16,504	22,420
Cashews	292,315	339,490	390,111	487,687	366,689	35,212	36,218
Frz. French Fries	156,831	216,576	252,437	321,914	338,228	29,089	33,771
Essential Oils	322,447	350,086	315,861	309,570	300,590	28,508	29,547
Fresh Melons	226,502	250,921	277,880	259,797	285,704	4,581	2,593
All Apple Juices	354,632	228,735	210,263	278,975	230,406	22,629	17,528
Olives	184,217	181,730	200,293	184,928	204,810	18,023	19,413
Fresh Cucumbers	100,823	154,634	138,241	168,771	200,549	11,955	10,325
All Orange Juices	240,072	211,353	285,947	243,298	185,093	20,310	12,212
Fresh Onions	127,447	151,990	135,574	131,705	168,116	11,990	12,869
Fresh Mangos	123,009	125,047	138,823	142,010	152,116	4,594	7,463
Fresh Pineapple	74,441	83,676	121,679	117,539	151,753	14,199	12,125
Total Other	4,222,577	4,604,941	5,368,446	5,315,151	5,509,420	438,827	493,193
GRAND TOTAL	13,080,247	14,376,516	15,866,247	16,404,683	17,010,532	1,333,629	1,419,495

1/ Nursery Products excludes cut flowers.

United States Top Horticultural Product Imports By Volume

Ranked In Terms of Highest Value (includes only products with specific commodity definitions)

Commodity 1/ 2/	FY 1997	FY 1998	FY 1999	FY 2000	FY 2001	October FY 2001	October FY 2002
Beer	1,612,379	1,869,577	2,072,394	2,290,532	2,490,735	191,642	209,443
Wine & Wine Prdts.	432,192	428,664	420,152	481,164	510,730	48,235	57,238
Bananas & Plantns	3,911,294	4,135,832	4,369,283	4,350,838	4,046,727	366,846	339,178
Nursery Products	2,206,085	2,460,306	2,765,772	2,860,569	2,926,298	280,817	288,960
Fresh Tomatoes	743,205	856,852	722,591	708,690	868,118	51,305	36,365
Fresh Grapes	351,567	419,956	387,022	452,119	418,443	2,720	1,275
Cut Flowers	2,770,092	2,770,186	2,707,948	2,804,568	2,642,134	202,516	209,940
Fresh Peppers	284,221	319,671	345,444	352,169	346,518	20,096	22,231
Frz. French Fries	269,794	353,931	397,455	470,605	519,751	43,370	53,172
Frz. Potato Fries	779,005	860,437	873,032	898,995	878,214	14,248	8,372
All Apple Juices	1,084,986	1,016,823	1,140,355	1,171,502	1,230,760	98,845	97,844
Fresh Cucumbers	302,306	327,745	336,045	346,863	373,596	21,730	16,133
All Orange Juices	1,116,798	1,063,239	1,326,231	1,284,749	976,227	108,000	77,121
Fresh Onions	261,088	259,188	246,532	224,080	269,156	17,240	28,272
Fresh Mangos	191,115	188,767	212,992	231,078	229,492	6,053	10,026
Fresh Pineapple	171,253	255,533	272,601	304,207	333,476	30,790	22,144
Fresh Squash	141,192	157,537	151,916	156,520	168,099	8,136	11,539
Frozen Broccoli	169,458	153,962	186,187	164,090	168,988	18,505	16,131
Fresh Apples	168,564	156,700	158,550	170,490	156,593	5,686	5,021

1/ Wine and beer is reported in 1,000 liters, orange juice in 1,000 single strength liters, and all other groups in 1,000 kilograms.

2/ Nursery Products excludes cut flowers.

Source: U.S. Department of Commerce, Bureau of the Census.

Selected Horticultural Crop Prices Received By U.S. Growers

	Domestic	2000	2001		% Change	% Change
Commodity	Units	Nov	Oct	Nov /1	Last Month	Last Year
Dollars/unit						
Grapefruit 2/	Box	2.8	5.29	3.06	-42.2%	9.3%
Lemons 2/	Box	2.29	20.37	19.34	-5.1%	744.5%
Limes 2/	Box	0	0	0	n/a	n/a
Oranges 2/	Box	2.69	5.12	3.19	-37.7%	18.6%
Tangelos 2/	Box	1.47	0	1.87	n/a	27.2%
Tangerines 2/	Box	7.91	9.22	7.48	-18.9%	-5.4%
Temples 2/	Box	0	0	0	n/a	n/a
Apples, fresh 3/	Lb.	0.185	0.242	0.233	-3.7%	25.9%
Grapes	Ton	750	600	600	0.0%	-20.0%
Peaches	Lb.	0	0	0	n/a	n/a
Pears, fresh 3/	Ton	323	413	350	-15.3%	8.4%
Strawberries, fresh	Lb.	0	0.807	0.964	19.5%	n/a
Asparagus 4/	Cwt.	0	137	129	-5.8%	n/a
Broccoli 4/	Cwt.	48.1	24.2	22.2	-8.3%	-53.8%
Cantaloupes	Cwt.	28	16	18.3	14.4%	-34.6%
Carrots 4/	Cwt.	14.3	17	18	5.9%	25.9%
Cauliflower 4/	Cwt.	70	21.6	20.1	-6.9%	-71.3%
Celery 4/	Cwt.	19.5	7.46	9.01	20.8%	-53.8%
Sweet Corn 4/	Cwt.	17.9	20.8	22.6	8.7%	26.3%
Cucumbers 4/	Cwt.	12.2	14.2	19.1	34.5%	56.6%
Lettuce 4/	Cwt.	18.7	11.3	10.5	-7.1%	-43.9%
Onions 4/	Cwt.	11	10.4	10	-3.8%	-9.1%
Snap Beans 4/	Cwt.	48.3	50.1	46.9	-6.4%	-2.9%
Tomatoes 4/	Cwt.	47.5	28.8	30.3	5.2%	-36.2%

1/ Preliminary.

2/ Equivalent on-tree returns.

3/ Equivalent packinghouse-door returns for CA and NY (apples only), OR (pears only), and WA (apples, peaches, and pears). Prices as sold for other states.

4/ Fresh-market, FOB shipping point.

Weight per box of citrus.

Grapefruit : AZ, CA = 67 Lbs., Florida = 85 Lbs., and Texas = 80 Lbs. per box.

Lemons: AZ, CA = 76 Lbs. per box.

Limes: Florida = 88 Lbs. per box.

Oranges: AZ, CA = 75 Lbs., Florida = 90 Lbs., and Texas = 85 Lbs. per box.

Tangelos and Temples: Florida 90 Lbs. per box.

Note: Zeroes indicate insufficient information or insufficient sales to establish a price.

Source: National Agricultural Statistics Service (NASS), USDA.